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STATE OF CALIFORNIA
NEW MOTOR VEHICLE BOARD
MINUTES

The New Motor Vehicle Board ("Board") held a Special meeting on April 25, 2002, at the Hyatt Grand Champions Resort, Gardenia AB Room, 44-600 Indian Wells Lane, Indian Wells, California.

2. **ROLL CALL**

Frederick E. (Fritz) Hitchcock, President of the Board, called the Special meeting to order at 2:05 p.m.

Present:	Wendy Brogin	Tom Novi
	Robert T. (Tom) Flesh	Executive Director
	Frederick E. (Fritz) Hitchcock	Howard Weinberg
	Angelo Quaranta	General Counsel
	Alan J. Skobin (arrived 3:00 p.m.)	Robin Parker
	Solon C. Soteras	Senior Staff Counsel
	Glenn E. Stevens	Cara O'Neill-Stewart
	David W. Wilson	Staff Counsel

3. **ROUNDTABLE DISCUSSION OF THE AUTOMOTIVE INDUSTRY IN GENERAL AND FACTORY SPECIFIC ISSUES OF INTEREST BY THE FOLLOWING MANUFACTURERS/DISTRIBUTORS:**

- a. AMERICAN HONDA MOTOR COMPANY, INC.
Frank Beniche, Senior Manager, Market Representation
Bill Green, Manager, Market Planning
Lorrie Hutton, Manager, Dealer Development
Steve Jaros, Manager, Dealer Placement
Mike Lynch, Zone Sales Manager
Dave Sunell, Assistant Manager, Market Representation
- b. BMW OF NORTH AMERICA, INC.
Steve Saward, Business Development Manager, Western Region
- c. DAIMLERCHRYSLER CORPORATION
Andrew Conn, Acting Los Angeles Zone Manager
Jim Dimond, Network Planning Senior Manager/National Dealer Placement Manager

4. Eric Munk, Los Angeles Zone Dealer Placement Manager
FORD MOTOR COMPANY
 Gary Lessuise, Lincoln-Mercury Dealer Relations Manager
 Jim O'Sullivan, Lincoln-Mercury Franchise Manager
 Mark K. Redman, Esq., Counsel for Lincoln-Mercury,
 Counsel for Aston Martin, Jaguar, Land Rover
 Melanie Waiegner, Regional Manager for Government Affairs
5. GENERAL MOTORS CORPORATION
 R.F. "Ron" Sobrero, General Manager, Dealer Relations, Vehicle Sales,
 Service & Marketing
6. KIA MOTORS AMERICA, INC.
 Alexander J. Larkin, Manager, Franchise Development
7. TOYOTA MOTOR SALES, USA., INC.
 Bob Dutton, Manager, Franchise Affairs Strategy
 Deborah Goldman, Managing Counsel
 Steve Haag, National Franchise Affairs Manager

- Board Development Committee.

Mr. Hitchcock welcomed and thanked the participants. In addition to the above, the following individuals also participated in the Industry Roundtable:

- < Joe Berberich, Esq., Manning, Leaver, Bruder & Berberich.
- < Peter Blackstock, new motor vehicle dealer.
- < Forrest H. Brown, Dealer Network and Contracts Manager, Lincoln-Mercury Division.
- < Kevin Colton, Senior Counsel, Nissan North America, Inc.
- < Mary Beth DeMott, State Government Affairs Representative, Toyota Motor Sales, U.S.A., Inc.
- < Frank Dunne, Executive Director, Vehicle Sales, Service and Marketing - Retail Relationships, General Motors Corporation.
- < Richard Elmquist, Esq., General Motors Corporation.
- < Jay Gorman, Executive Vice President, California Motor Car Dealers Association.
- < Avery Greene, President, California Motor Car Dealers Association.
- < Dan Lehman, National Franchise Development Manager, Kia Motors America, Inc.
- < Marjorie Lewis, Esq., Gibson, Dunn & Crutcher.
- < Ken Miyao, Deputy Director, Vehicle Registrations, Department of Motor Vehicles.
- < Pete Pellini, new motor vehicle dealer.
- < Mark Perleberg, Business Development Manager, NADA Appraisal Guides.
- < Maurice Sanchez, Esq., Alvarado, Smith & Sanchez.
- < Lawrence Silver, Esq., Silver & Fields.
- < Kim Udovic, Esq., Gibson, Dunn & Crutcher.

- < Peter K. Welch, Director of Government and Legal Affairs, California Motor Car Dealers Association.
- < Tom Zigler, Esq., Alvarado, Smith & Sanchez.

Steve Jaros, Manager, Dealer Placement, American Honda Motor Company, Inc., Melanie Waiegner, Regional Manager for Government Affairs, Ford Motor Company, and Alexander J. Larkin, Manager, Franchise Development, Kia Motors America, Inc., were unable to attend.

The following specific topics were addressed:

1. **Widows and Heirs Owning Dealerships**
There are a number of potential problems associated with widows and heirs owning and operating a dealership. What strategies may be utilized by manufacturers/distributors and dealers to ensure a successful transition? If not successful, when should the factory step in?
2. **Impact of Public Corporations on the Traditional Dealership Structure**

Public dealership groups, such as AutoNation and Lithia Motors, are increasingly purchasing local dealerships, and arguably are beginning to dominate market areas. Some manufacturers/distributors are now allowing such corporations to own multiple line-make franchises in an area, while other manufacturers/distributors are more restrictive. What is the impact of these changes on the traditional independent dealer concept and the public.
3. **Impact of Consolidation of Line-Makes on the Small, Independent Dealer**
Increasingly manufacturers/distributors are encouraging fewer and larger dealers as part of a marketing strategy that includes consolidation of line-makes (e.g., Chrysler, Jeep, and Metro) which may increase dealer sales volume and customer satisfaction. To what extent does this conflict with the concept of small, independent dealers? What are the advantages and disadvantages of consolidation?
4. **Impact of Manufacturers/Distributors Preventing Dualing**
In an effort to gain exclusivity for their respective line-makes, manufacturers and distributors are preventing dualing of dealerships with completing lines. What impact does this have on rural dealers that cannot justify exclusive facilities? If factories are favoring consolidation of their own lines, what is the impact on a franchisee if there are no additional lines available from their franchisor and dualing with a competing line is the only feasible option?

5. **Impact of Vehicles Being Purchased from Canadian Dealers and Imported for Delivery to California Purchasers**

The Department of Motor Vehicles has discovered a situation where Arizona and Washington dealers are purchasing new vehicles from Canada and importing the vehicles (Acura, Honda, and Toyota) from Canada into California for sale and delivery to California consumers. The vehicles all meet California emission requirements, have Department of Transportation and Environmental Protection Agency required labels, and the dashboard instruments may be electronically converted from kilometers to miles per hour. Apparently, the cost of these vehicles to Arizona and Washington dealers is substantially less than California dealers pay because manufacturers/distributors charge Canadian dealers substantially less than United States dealers for the same new vehicles. What impact do these activities have on California licensed dealers of the same line-make? What is the impact on manufacturers/distributors? What, if anything, can (or should) manufacturers and distributors do to prevent the importation of Canadian vehicles into California?

4. **ADJOURNMENT**

With no further business to discuss, the meeting was adjourned at approximately 4:30 p.m.

Submitted by

Signature on File

TOM NOVI
Executive Director

APPROVED: Signature on file
Frederick E. (Fritz) Hitchcock
President
New Motor Vehicle Board